

## Minutes

### Seattle City Employees' Retirement System Regular Board Meeting

Thursday, June 1, 2006 - 9:00 a.m.  
Pacific Building, 10<sup>th</sup> Floor

**Present:** Richard McIver, Dwight Dively, Norma McKinney, Lou Walter, Paul Berry, Mary Norris and Frank Mathews.

**Absent:** None.

**Also Present:** Ken Leask – ARSCE, Walt North – ARSCE, Gwen Jensen – ARSCE, Ken Hunich – ARSCE, Ed Kidd – ARSCE, Larry Bird and Paul Blumer – Deloitte & Touche, Rick Thorsen – State Auditors Office, Carol Metcalf – DEA, Victoria Galinato - DEA, Susan Ruggles, Bill and Deborah Broughton, Mike Moehle and Eva Yum – Buck Consultants, Mike Monaco – Song Mondress, Carlton Seu – Law Department, Norm Ruggles and Mel Robertson.

**Public Comment:** Ken Leask commented that he likes receiving the agenda packet via email. Ken Hunich told the Board that retirees appreciate the Board's efforts.

Richard McIver presented inscribed clocks to Norma McKinney and Paul Berry and thanked each of them for their service on the Board. This was their last meeting as Board members. The Board and staff also thanked Norma and Paul for all their contributions, and said that they will be missed. Norma thanked the Board, and thanked the retirees for keeping the Board sensitive to their needs. Paul thanked everyone and said that he has learned a great deal and is leaving with a sense of accomplishment. Paul will continue to serve as an alternate on the Investment Committee.

### Minutes:

Upon motion by Dwight Dively, seconded by Paul Berry, the Retirement Board approved the minutes from the May 18, 2006 Retirement Board meeting.

### Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals:

**Information:** The following items represent normal expenses and nothing extraordinary.

Service	\$ 6,046,741.23
Beneficiary	678,927.96
Disability	61,454.32
<b>Pension Payroll – May 2006</b>	<b>\$ 6,787,123.51</b>
<b>Office Payroll</b> - pay period ending May 16, 2006	<b>\$ 26,107.24</b>
<b>Vouchers Processed</b> - from May 11, 2006 through May 25, 2006	<b>\$ 894,974.18</b>
* \$ 843,773.98 Expert and Consultant Services	

### Immediate Withdrawal of Contributions:

<u>Member</u>	<u>Department</u>	<u>Position</u>
Brown, Karyn A	Police	Dispatcher 1
Caouette, Nancy A	Seattle Center	Usher
Sumption, Harold Leroy	City Light	Power Dispatcher Asst
Wilson Jr, Rickie L.	Parks	Rec Program Specialist

Upon motion by Dwight Dively, seconded by Mary Norris, the Board ratified the Retired Payroll, Office Payroll, other Payments and Withdrawals.

## Ratification of Service Retirements:

**Information:** The following list represents the retirements that have been processed since the last Retirement Board meeting.

<u>Member</u>	<u>Retired</u>	<u>Years</u>	<u>Days</u>	<u>Department</u>	<u>Position</u>	<u>Age</u>	<u>Option</u>
Baggen,Jacqueline L.	5/3/2006	31	150	Police	Pkg Enforcement Officer	63	B
Batchelor,William M	5/3/2006	44	244	City Light	Accounting Technician II	65	C5
Bunce,Barbara Louise	4/27/2006	26	245	Vested	Vested	53	A,F
Cunningham,John H	4/24/2006	14	346	Vested	Vested	57	E
Delong,Sharon Ruth	4/16/2006	27	210	Vested	Vested	52	S
Demello,Felix C	5/4/2006	21	156	City Light	Public Relations Spec, Sr	66	E
Eng,Patricia W	5/3/2006	31	84	City Light	Elec Const & Maint Sup	58	C5
Garcia,Joseph T	4/19/2006	21	51	Fleets	Executive II	62	C5
Hadley,Barbara	5/3/2006	11	314	Legislative	Executive Manager	61	S
Hannon,Rand P	4/15/2006	7	252	Police	Pkg Enforcement Officer	62	C5
Heaton,Bill E	4/8/2006	33	323	K.C. Health	Environ Health Supv	59	E,F,G-50
Lundquist,Richard R	5/3/2006	30	16	Human Svcs	Financial Analyst Sr	60	S
McArty,John Edward	5/3/2006	31	114	Personnel	Strategic Advisor 2	61	S
Reese,Margaret Anne	5/3/2006	22	159	SPU	Manager 2	57	S
Richard,Gehla S	4/11/2006	15	199	Vested	Vested	57	S,G-100
Thompson,George Wm	4/24/2006	7	294	Vested	Vested	65	S
Thompson,Ovid T	4/19/2006	28	16	Neighborhoods	Strategic Advisor I	65	E
Trias,Ederlinda R	5/3/2006	31	13	SEATRAN	Financial Analyst	55	C20,G-50
Westergaard,Diane E	4/19/2006	27	186	City Light	Customer Service Rep	63	S
Wilson,Michael E	4/25/2006	26	43	Library	Employment Comp Analyst	57	B
Wong,Jon J	5/3/2006	27	344	Fleets	Auto Mechanic	64	E

Upon motion by Dwight Dively, seconded by Frank Mathews, the Retirement Board approved the service retirements listed above, pending final review.

Last month 57 new members entered the System, 21 retired and 43 others terminated City employment.

## Ratification of Investment Transactions and Statement of Securities and Cash:

Norm reviewed the funding ratio along with monthly and year-to-date performance numbers on the Investment Summary report for April 2006. Mel highlighted items in the Investment Summary report and commented on likely investment results in May.

Upon motion by Dwight Dively, seconded by Paul Berry, the Retirement Board approved the Investment Summary report.

## Investment Committee Report:

The Investment Committee is scheduled to meet at noon on Thursday, June 29, 2006 in the Retirement Office.

Norm listed our Retirement Fund's investment performance percentile rankings as compared to other public and private funds, showing that our Fund compares very favorably and has a consistently strong ranking.

Mel reported on the Investment Committee meeting held May 25, 2006. The Committee heard a presentation by MKA Capital Group Advisors Inc. and is recommending the Board approve an initial \$20 million investment. Mel provided a handout summarizing the investment. The Committee, pending Board approval of this recommendation, is also recommending that we invest an additional \$10 million in this fund, that will be parked here rather than in the S&P 500 index. Paul Berry explained the process and need for a liquid vehicle.

Upon motion by Paul Berry, seconded by Dwight Dively, the Retirement Board voted unanimously to accept the Investment Committee recommendation to invest in the MKA Mezzanine Fund, as recommended by the Committee, totaling \$30 million.

Mel then discussed the May 25, 2006 meeting of the Investment Committee and the Advisory Committee which reviewed the investment performance of the Retirement Fund during the first quarter of 2006. Mel said the Investment Committee is pleased to report that the recent quarterly performance report showed the Fund outperforming the Policy Index in each of the periods included in the report, over the last five years. As requested by the Investment Committee, Tim Rutledge presented information to the committees about what types of investments would be expected to outperform during prolonged periods of higher inflation. The committees took comfort that among the sectors identified as outperforming, we are invested in many of them, including real estate, small cap stocks and large cap value stocks. Tim also responded to a request by the Investment Committee to compare the investment performance of our Fund with what it might have been, had we maintained a 60 / 40 split of traditional stocks and bonds or had we not changed our allocation since 2001. Tim presented information showing that our changes to the allocation have added value.

### **Executive Director Report:**

Norm commented that the election period for Paul Berry's expiring position on the Board ends June 5, 2006. Norm said that the results will be sent to the Board via email, and that he will meet with the successful candidate before the next Board meeting.

Norm told the Board that copies of the new book for trustees, which Lou and Paul recommended after seeing it at the NCPERS Conference, have been ordered and will be provided to the Board and staff.

Norm also commented that the Board packets are now being sent via email to most of those on our mailing list, but offered to send hard copy packets to the Board, if they prefer.

### **Old Business:**

#### **(1) Status of Benefit Enhancements**

The Board was informed that the estimated current funding level of the Retirement Fund is 91.97% as of April 30, 2006.

### **New Business:**

#### **(1) Larry Bird (Auditor) - Deloitte & Touche – 2005 Audit and Financial Statement Review**

Norm introduced auditors Larry Bird and Paul Blumer who presented the results of Deloitte & Touche's independent audit and financial statement review. Larry said that there were no reportable conditions regarding internal control and that an unqualified "clean" opinion would be delivered. He said that no audit adjustments were requested or needed. Their review included investments, as well as contributions, benefit calculations and payments.

#### **(2) Hearing – Deborah Broughton Request To Buy Exempt Time**

A hearing was held by the Board on Deborah C. Broughton's request to purchase retirement service credit for time she was employed by the City as an exempt employee from March 10, 1982 through August 18, 1987, by paying her missed contributions plus interest, rather than paying the more expensive actuarial cost. Ms. Broughton was present with her attorney, William H. Broughton. Dwight Dively recused himself from participating in the hearing because he knows and has worked with Ms. Broughton. Ms. Broughton was sworn in by Chair McIver.

Norm Ruggles presented to the Board the correspondence and documents pertaining to Ms. Broughton's request, and summarized applicable ordinances and Seattle Municipal Code provisions. He explained that because Ms.

Broughton left City employment in August 1987 and returned in July 1997, she had not been continuously employed by the City since June 21, 1986. Therefore, she could not take advantage of the less expensive rate for purchasing service credit that existed prior to that date and until the end of 1986, because an ordinance effective June 21, 1986 changed the purchase provisions for exempt employees. Instead, she is required to pay the higher, actuarial cost now in effect. The actuarial cost has been applied to other employees like Ms. Broughton who had a break in their City employment after June 21, 1986. Also, Ms. Broughton had an opportunity to purchase her desired service credit at the lower rate in and prior to 1986, but did not exercise that opportunity.

Mr. Broughton then addressed the Board. He stated that Ms. Broughton is being treated arbitrarily and should be allowed to purchase credit for her past service at the same rate as exempt employees who have been continuously employed by the City since June 21, 1986, because she was an employee prior to that date. He said Ms. Broughton's request should not be denied unless a rule or Municipal Code provision specifies that result. Ms. Broughton then testified as to her employment history and reason for not purchasing her service credit during her first period of employment with the City, and said it was unfair for her to be treated differently than employees who have been continuously employed. Mr. Broughton made concluding remarks.

The Board asked questions of Mr. Broughton and Ms. Broughton, and comments were made by attorneys Michael Monaco representing the Retirement System, and Carlton Seu representing the City.

Chair McIver announced that Board deliberation would occur after the conclusion of the next business item on the meeting agenda.

**(3) Mike Moehle (Actuary) – Buck Consultants – Report on January 1, 2006 Valuation**

Norm introduced Mike Moehle and Eva Yum, actuaries from Buck Consultants, who presented the results of the January 1, 2006 actuarial valuation. Mike said that there is "good news" to report. The amortization period of the unfunded liability is down to 18 years, from the 30 years reported two years ago in the previous valuation. The funding ratio has also improved to 88.8% in this valuation from 85.9% in the previous valuation. He explained that much of the improvement is due to the excellent investment returns of the System.

**(4) Closed Deliberation (Quasi-Judicial Proceeding)**

The Board entered into closed session at 11:15 a.m. to deliberate the Broughton claim appeal hearing. No decisions were made or actions taken during the closed session.

The Board returned to open session at 11:39 a.m. and invited those previously in attendance back into the room.

Upon motion by Paul Berry, seconded by Lou Walter, the Retirement Board voted to deny the request by Deborah C. Broughton to purchase service credit by paying missed contributions plus interest, based on the documents, testimony, statements and legal authority. Dwight Dively abstained. Counsel and staff were directed to prepare a written decision.

**Adjournment**

Upon motion by Lou Walter, seconded by Paul Berry, the Retirement Board voted to adjourn the meeting at 11:42 a.m.

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Norma McKinney, Secretary